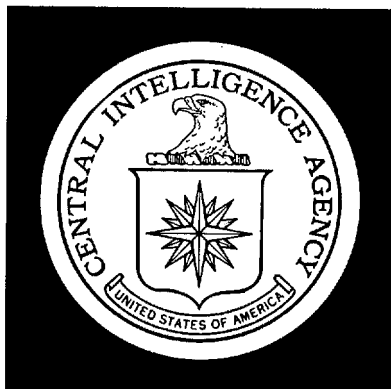


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Cambodia: The Communists have attacked two important industrial installations.

Enemy forces attacked and occupied the Chinese Communist - built cement factory in Kampot Province at Chakrei Ting, nine miles northeast of Kampot city on Route 3, on 27 July. The Communists also destroyed two bridges in the area. Government forces near the factory were receiving some air support.

In the east, in Kompong Cham Province, the Communists attacked a textile factory near Kompong Cham city on 26 July. The factory, which was also a Chinese aid project, is being defended by 100 government troops. Air strikes have been requested.

The fighting at Kirirom in Kompong Speu Province has dragged into its third week. Communist troops strongly attacked a battalion of government forces in the center of the resort town yesterday. Late press reports claim that heavy ground fire has prevented helicopters from reaching the town, and that close ground fighting also ruled out air strikes. Enemy elements also continue to harass sections of Route 4.

In Prey Veng Province, South Vietnamese rangers attached to a task force running clearing operations on Route 1 near Kompong Trabek killed 65 Communists and captured 19 on 26 July, according to press reports.

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South Vietnam: The public rift between President Thieu and Vice President Ky is widening.

Ky's attacks on the government in recent days have been increasingly shrill. He has publicly stated that some cabinet members are involved in major illegal currency transactions and has speculated that some of Thieu's advisers may have been bribed to betray him. He has condemned the whole national leadership as billionaires living a life of ease and incapable of giving the country social justice. This broadside is the latest in a series of aggressive statements which Ky began in early June, after he realized that the President would not let him have the major role in managing operations in Cambodia that he desired.

Although Ky has periodically gone through flurries of activity calculated to capture the limelight and embarrass the government, Thieu has generally not responded in public. This time, however, the President has chosen to counterattack, publicly describing the 1967 election with Ky as a "forced marriage," and in effect calling Ky's statements pure lies.

Ky is particularly given to undiplomatic utterances during periods of disappointment and frustration, but he has not had the tenacity to sustain even this kind of activity for very long. With the presidential elections coming in 1971, however, the vice president probably hopes that his attention-getting statements will aid him if he decides to run. Thieu's recent reactions suggest that Ky is hitting where it hurts, and the vice president may try to remain in the public eye longer as the 1971 election approaches.

Ky is also taking a "good riddance" line on US aid and the Vietnamization program. He has indicated that South Vietnam should welcome the removal of US troops, since this would also tend to free South Vietnam from political pressures originated by "stupid"

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US pacifists. The vice president has been more honest than most South Vietnamese about his real feelings of irritation at dependence on the US, and he will probably be less hesitant than most to appeal to anti-American sentiment, which has been surfacing with increasing frequency recently. [REDACTED]

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Israel: Tel Aviv may have to seek substantial additional foreign assistance this year to avoid a large drawdown of foreign reserves.

The trade deficit during the first six months of 1970 totaled \$338 million, compared with \$259 million in the same period of 1969. Imports rose much faster than anticipated, while exports fell short of Israeli goals. Mildly restrictive economic policies adopted several months ago have had no visible impact thus far on the growing deficit. In addition, bond sales and gifts--while up from last year--are falling short of goals.

Even assuming that the trade imbalance is curtailed sharply in the second half of the year, Israel apparently will face an over-all deficit of \$200-250 million not covered by currently available loans. With about \$450 million in gold and foreign exchange reserves, Tel Aviv will need substantial additional foreign financing if it is to avoid stringent austerity measures.

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Communist China: Peking may soon convene the long-delayed National Peoples' Congress--the civil government counterpart to the national party congress held last year.

25X1 [redacted] a "directive" from Peking was broadcast in Canton on 23 July urging residents to prepare for the "imminent" opening of the congress. In addition, the recent failure of some key provincial leaders to appear at local turn-outs suggests that a high-level leadership meeting may have been called in Peking to prepare for the congress.

25X1 There has been no indication that the rank and file provincial delegates have departed for Peking, but according to rumors in Canton, the congress is scheduled for next month. When it convenes it is expected to treat important matters left over from the Cultural Revolution, including the selection of a new chief of state to replace the ousted Liu Shao-chi and the formal restaffing of the various government ministries and bureaus. [redacted]

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Cuba: High-level political and administrative changes in the Castro regime appear to be in the offing.

During his traditional 26 July speech, Fidel Castro indicated that government leaders who have been unable to cope with the country's complex economic problems would be replaced. He also said that structural changes in the administration and the Communist Party would be made. Castro went into great detail enumerating the economic setbacks Cuba has suffered and said that it would be five years before improvements would become evident. As a major innovation, he is forming a Bureau of Social Production to coordinate all economic activity and to develop realistic plans for the economy.

Castro's concentration on economic matters and his stated willingness to adopt measures to improve Cuba's plight may have been stimulated in part by Soviet urging. Although Castro now seems to be more amenable to Soviet advice, he is unlikely to surrender a significant amount of power to anyone--Cuban or foreign. Despite his promises of structural changes, he presumably will continue to play the major role in deciding Cuba's economic path. He will probably replace other top-level officials--the ministers of domestic trade and transportation and the party chief in Oriente Province seem the most likely candidates--with capable military officers and technocrats while relying primarily on his cronies of the early days of the revolution for political support.

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Muscat and Oman: The sultan has been ousted in an apparently peaceful coup by his son, who alleged that oil revenues were not being used for the "needs of the people."

The new sultan, Qabus Al Bu Said, seized the country on 24 July with the backing of the armed forces and of other members of the ruling family. Qabus has announced that he would like to set up a "forceful and modern government" that would remove the present restrictions on the people and would establish friendly relations with all nations, especially its neighbors.



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As long as the new sultan retains the support of his armed forces as well as of the British, the old regime has no means of regaining the throne. Moreover, it was not very popular with any major segment of the population. In a short time, however, the new ruler will probably begin to face the problems of political alignments within the Middle East. Although trained at Sandhurst and educated in England, Qabus will find it difficult to maintain Muscat's traditional relationship with the UK in the face of growing anti-Western feelings throughout the Arab world.



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Morocco: The government has announced that more than 98 percent of the 4.5 million votes cast in last Friday's constitutional referendum were affirmative. During the opposition groups' all-out campaign urging voters to reject the constitution, they paved the way for charges of electoral fraud by accusing the government of manipulating the electoral machinery and denying voting cards to known members of the opposition. An election to select somewhat less than half of the members of a unicameral parliament will take place next month. The secretary general of the principal Moroccan labor union has already decreed that members of his organization will not be permitted to stand for election to parliament and that, if appointed, they will be deprived of union membership. [REDACTED]

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European Communities - Japan: The EC Council last week authorized the Commission to begin negotiations on a trade agreement between the Communities and Japan. The negotiations, which will probably begin in late September, would seek the mutual elimination of quantitative restrictions and other non-tariff trade barriers, a development which could indirectly benefit the US. The negotiations with Japan will also be another important step in the development of the Communities' common commercial policy and the Commission's role in managing it. Some of the Six reportedly even favored expanding the Commission's mandate to include investment matters, but others maintained that this area is reserved to the EC's member states. [REDACTED]

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